MARKET SUMMARY

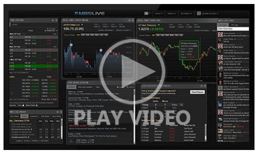
Complete Recap of Today's Market Activity

Time For One of Those "Path of Least Resistance" Headlines

Market Summary: Thursday, December 26, 2024 - 7:05AM

Bonds are selling off for no obvious reasons for however many days in a row it's been (at least 2 unless you count last Thursday). Episodes like this result in bond analysts dusting off phrases like "the path of least resistance"--typically only ever seen with selling pressure. This path arguably began in early December after the jobs report failed to push 10yr yields sustainably below 4.17. One could even say it began with the jobs report in early October that singlehandedly obviated any urgency on the part of the Fed to address some sort of troubling slide in the labor market. At the very least, the most recent leg of weakness can be thought of as the path of least resistance in light of last week's Fed announcement/dots/press conference.

Latest Video Analysis



Steady Selling in Bonds. 'Tis The Season

Seth Wilcock

MLO, CMA, VMA, CMPS, CVLS, Resolute Lending Powered by IMB

www.resolutelending.com

P: (720) 593-6682

M: (720) 590-2492

team@resolutelending.com

3209 W Smith Valley Rd
Greenwood IN 46142-8020

NMLS 389617 | IMB NMLS 2191655
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UMBS 5.5	98.57	+0.15	10YR	4.578%	-0.007%	12/26/2024 5:00PM EST

Time For One of Those "Path of Least Resistance" Headlines

Bonds are selling off for no obvious reasons for however many days in a row it's been (at least 2 unless you count last Thursday). Episodes like this result in bond analysts dusting off phrases like "the path of least resistance"--typically only ever seen with selling pressure. This path arguably began in early December after the jobs report failed to push 10yr yields sustainably below 4.17. One could even say it began with the jobs report in early October that singlehandedly obviated any urgency on the part of the Fed to address some sort of troubling slide in the labor market. At the very least, the most recent leg of weakness can be thought of as the path of least resistance in light of last week's Fed announcement/dots/press conference.

The act of pushing the rate cut outlook farther into the future and/or of declaring a higher neutral rate is consistent with "steepening" of the yield curve. That's a fancy word that means 10yr yields are moving higher relative to 2yr yields, or that 2yr yields are falling faster than 10yr yields.

Bottom line, there was a chance that a floundering labor market would accelerate the rate cut outlook, sticky inflation be damned. October's release of NFP meant that the focus could shift back toward sticky inflation, and subsequent inflation reports confirm there's no reason to rush additional hikes. Combine that with some unknown risk that fiscal changes continue to juice the economy and we're right back to the "higher for longer" mentality that dominated the discourse last year.

Don't lose hope though. Things can change, but it will take a noticeable shift in the inflation data, or another troubling swoon in labor metrics. Either way, the path of least resistance can't really change until we actually get those reports in the first 2 weeks of January, and even then, it would take a few months in succession to really make a case for a shift. There's also some hope from the outright level of yields, which began to bring out value buyers the last time 10yr Treasuries moved into the upper 4% range.

(NOTE: MBS Live is on holiday half-day protocol today. That means this morning's commentary is also the closing commentary unless something really crazy necessitates additional coverage. Updates/alerts will only go out in the event of extreme movement. As always, MBS Live members can set up multiple automated alerts (here) if you're actually making intraday lock decisions today.)

ALERT: Down More Than a Quarter Point

MBS MORNING: No Help From Weaker Econ Data. Holiday Week Idiosyncrasies

30YR Fixed	7.12%	+0.02%	15YR Fixed	6.48%	+0.03%	12/26/2024

Mortgage Rates Higher to Start Holiday-Shortened Week

Holidays have inconsistent impacts on because holiday's have inconsistent impacts on the bond market (and rates are dictated by the bond market). Bond traders (the people buying and selling the bonds that ultimately determine mortgage rates) are people too. They take vacations, or tack an extra day or two onto a scheduled holiday market closure to make for an extended holiday weekend.

When more than a few traders are absent, the balance of remaining traders can make for different dynamics than would normally be seen. This can cause some distortion in rates around the holidays, typically in the form of increased volatility.

Trader absences aren't the only consideration--especially in late December. There can be a lot of seemingly random trading motivation that acts to push rates higher or lower regardless of the cues from the more normal inputs (such as economic data and policy changes).

In the current case, we're fresh off a monetary policy communication that had a negative impact on rates. Now in the new week, rates are moving higher yet again, despite what would normally be friendly cues from this morning's economic data. The light trading volume suggests the holiday idiosyncrasies are at least partly to blame.

The average mortgage lender is back near its highest rates of the past few months, with top tier conventional 30yr fixed rates hovering around 7.125%.

Economic Calendar

Last Week | This Week | Next Week

Time	Event	Actual	Forecast	Prior
Thursday, Dec 26				
8:30AM	Dec/21 Jobless claims 4-wk avg (k)	226.5K		225.5K
8:30AM	Dec/14 Continued Claims (ml)	1910K	1880K	1874K
8:30AM	Dec/21 Jobless Claims (k)	219K	224K	220K
11:30AM	4-Week Bill Auction	4.260%		4.230%
11:30AM	8-Week Bill Auction	4.265%		4.230%
12:00PM	Dec/25 15-Year Mortgage Rate	6%		5.92%
12:00PM	Dec/25 30-Year Mortgage Rate	6.85%		6.72%
1:00PM	Nov Money Supply	$21.45T		$23.31T
1:00PM	17-Week Bill Auction (%)	4.230%		4.220%
1:00PM	7-Year Note Auction	4.532%		4.183%
1:00PM	7-Yr Note Auction (bl)	44		
4:30PM	Dez/25 Central Bank Balance Sheet	$6.88T		$6.89T
Friday, Dec 27				
8:30AM	Nov Retail Inventories Ex Autos MoM Adv	0.6%		0.1%
8:30AM	Nov Wholesale inventories mm (%)	-0.2%	0.2%	0.2%
8:30AM	Nov Goods Trade Balance Adv	$-102.86B	$-100.7B	$-99.08B
10:30AM	Dec/20 Nat gas-EIA, change bcf	-93Bcf	-99Bcf	-125Bcf
1:00PM	Dec/20 Crude Oil Inventory (ml)	-4.237M	-2M	-0.934M
1:00PM	Dec/20 EIA Crude Oil Imports Change	0.995M		-1.131M
1:00PM	Dec/20 EIA Distillate Stocks Change	-1.694M	-0.7M	-3.18M
1:00PM	Dec/20 EIA Cushing Crude Oil Stocks Change	-0.32M		0.108M
1:00PM	Dec/20 EIA Distillate Fuel Production Change	0.178M		-0.135M
1:00PM	Dec/20 EIA Refinery Crude Runs Change	0.205M		-0.048M
1:00PM	Dec/20 EIA Gasoline Production Change	0.051M		-0.173M
1:00PM	Dec/20 EIA Heating Oil Stocks Change	-0.062M		-0.304M
1:00PM	Dec/20 EIA Gasoline Stocks Change	1.63M	-1M	2.348M
1:00PM	Dec/27 Baker Hughes Oil Rig Count	483	483	483
1:00PM	Dec/27 Baker Hughes Total Rig Count	589		589

Recent Housing News

- New Homes Sales Bounce Back After Hurricane Season
- Highest Existing Home Sales Since March
- Modest Refi Surge Was Fun While it Lasted

Read My Latest Newsletter

Once Again, Mortgage Rates Shoot Higher After a Fed Rate Cut

"If anything on Fed day ends up having an impact on mortgage rates, it would have to be changes in the Fed's rate outlook and/or comments from Fed Chair Powell during the press conference that follows the rate announcement." That's how we closed out last week's newsletter , and there were certainly some changes! The gist was that mortgage rates often correlate very poorly with changes in...

Mortgage Calculators

- Mortgage Payment w Amortization
- Loan Comparison
- Advanced Loan Comparison
- Early Payoff
- Should I Refinance?
- Rent vs. Buy
- Blended Rate